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Facebook's on the Block

The owners of the privately held social-networking site hope to fetch as much as \$2 billion. And media giants like Viacom may make a good match

Facebook, the Web site where students around the world socialize and swap information, has put itself on the block, BusinessWeek Online has learned. The owners of the privately held company have turned down a \$750 million offer and hope to fetch as much as \$2 billion in a sale, senior industry executives familiar with the matter say.

That may sound like a huge amount of money, especially when you consider that the company was launched just two years ago by a group of sophomores at Harvard University, led by Mark Zuckerberg (see BW Online, ["Under 30, On the Cutting Edge"](#)). But already, www.facebook.com has become the seventh-most heavily trafficked site on the Internet, according to market researcher comScore Media Metrix. It racked up 5.5 billion page views during the month of February, the latest month for which complete data are available. That's more page views than the Web sites of Amazon.com ([AMZN](#)), Ask.com, or Walt Disney ([DIS](#)).

GOOD FIT. It's not clear who would be willing or able to pay that much. Industry analysts think that Facebook might be a good match for Viacom ([VIA](#)), which owns the MTV, VH1, and Comedy Central cable networks. "I think Facebook would be a great strategic fit for Viacom," says Troy Young, executive vice-president and chief experience architect at Organic, an online advertising and consulting firm. "Viacom has people working on social networking. But I think they need to demonstrate to the market, through a major acquisition, that they are on top of the youth marketplace," Young said. Viacom declined comment. Facebook executives weren't immediately available for comment.

A Facebook deal would help Viacom founder and Executive Chairman Sumner Redstone fend off a growing challenge from News Corp. ([NWS](#)). The media conglomerate run by Rupert Murdoch has poured enormous resources into the Internet during the last year. It acquired social-networking pioneer MySpace.com last year for \$580 million (see BW Online, 11/15/05, ["Users Crowd into MySpace"](#)).

MySpace has continued to grow since the acquisition. It had 37.3 million unique visitors during the month of February, according to comScore. It logged 23.5 billion page views, making it the second-most trafficked site after Yahoo, which had 30 billion. MSN ([MSFT](#)) was No. 3, with 18 billion, and Google ([GOOG](#)) was No. 6, with 7.7 billion. News Corp. also acquired gaming and men's lifestyle site ign.com for \$650 million (see BW Online, 08/22/05, ["IGN Entertainment: Where the Boys Are"](#)).

ATTRACTIVE TO MARKETERS. Sites like MySpace and Facebook, and social-networking rivals such as the video-oriented YouTube are promising new channels for communication, entertainment, and marketing. Social-networking sites are a primary form of communication for millions of younger people in the U.S. and increasingly, around the world. It's not unusual for young people to spend an hour or more a day at such sites, posting photos, messages, and blog entries, and building up huge lists of online "friends." While advertising rates on such sites are low, marketers of music and consumer goods have flocked to MySpace and its rivals.

Facebook doesn't match the scale of MySpace, but Organic's Young says it presents a great opportunity for marketers. The site admits college and high school students, though it's more popular on a college level, and the atmosphere is more controlled than the free-wheeling MySpace.

In recent months, parents, politicians, and police have become concerned that criminals could be taking advantage of MySpace (see BW Online, 03/06/06, ["Making MySpace Safe for Kids"](#)). On Mar. 21, Connecticut Attorney General Richard Blumenthal called on the company to take steps to protect minors from potential harm. MySpace says that it shares the concerns about safety and security on the site and is working with the attorney general to bolster its safety practices and procedures.

WAY BEYOND CAMBRIDGE. Zuckerberg founded his company, originally known as The Facebook, as a way for classmates at Harvard to communicate. It was named after the books that colleges typically provide students, listing profiles

and pictures of classmates. He asked friend Eduardo Saverin to help fund the site. Classmates Chris Hughes and Dustin Moskovitz joined as co-founders. The site was an instant hit at Harvard, and it quickly took hold at other schools, such as Stanford University. Since then, it has spread across the U.S. and other parts of the world.

Just a few months ago, people scoffed at the hundreds of millions that Murdoch spent on News Corp.'s Net acquisitions. But those prices are likely to be surpassed in the near future, as M&A activity in the social-networking sector heats up.

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